

February 20, 2008



The Health Benefits Committee met on Wednesday, February 20, 2008, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 11:11 a.m. with the following members present:

George Diehr, Chair
Priya Mathur, Vice Chair
Marjorie Berte
Terrence McGuire representing John Chiang
Rob Feckner
Greg Beatty representing David Gilb
Steve Coony representing Bill Lockyer
Tony Oliveira

Excused: Charles Valdes

Other Board members present: Anne Sheehan Kurato Shimada Henry Jones

AGENDA ITEM 2 – APPROVAL OF DECEMBER 18, 2007, HEALTH BENEFITS COMMITTEE MEETING MINUTES

The December 18, 2007, Health Benefits Committee meeting minutes were approved as presented.

AGENDA ITEM 4A – UPDATE ON IMPLEMENTATION APPROACH FOR HEALTH BENEFITS SINGLE ADMINISTRATOR

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, presented an update on the feasibility of adopting a Single Third-Party Administrator (STPA) for the CalPERS Health Benefits Program. CalPERS Executive staff, along with Mercer Consulting, conducted interviews with each of the respondents in January 2008. The interviews clearly validated that several of the respondents represent viable candidates to partner with CalPERS on the STPA model. Staff will continue efforts to further refine the concept and its potential value to the CalPERS program in the coming months, to

properly position this initiative in the context of other key upcoming decisions and to effectively focus a future request for proposal on the key attributes needed for long-term success.

Neal Johnson, SEIU Local 1000, spoke on this item.

AGENDA ITEM 4B – HEALTH AND DISEASE MANAGEMENT INITIATIVE UPDATE

Marcine Crane, Chief, Office of Health Plan Administration, introduced Sue Wilette of Mercer Consulting. Ms. Wilette presented an update on disease management performance monitoring metrics and current health plan capabilities. Mercer will provide additional reports in future HBC meetings, such as, analysis regarding key cost drivers and suggested performance monitoring approach and full results of the initiative.

Rob Feckner, President, CalPERS Board of Administration, recognized Barbara LaPlante for her term as President of CSEA Retired Division and wished her well on her retirement.

At this time, the Health Benefits Committee recessed for lunch and reconvened at 1:00 p.m.

AGENDA ITEM 4C - 2007 OPEN ENROLLMENT STATISTICS

Sandra Felderstein, Chief, Office of Health Policy and Program Support, presented the 2007 open enrollment statistics showing, among other things, that 10.3 percent of CalPERS 585,317 subscribers transferred health plans. Ms. Felderstein also presented information on enrollment choices resulting from Board decisions affecting CalPERS health plan offerings for 2008 and the health plans to be included in the State of California's annuitant health benefit contribution ("100/90") formula for 2009, based on January 2008 enrollment figures.

AGENDA ITEM 4D – CALIFORNIA REGIONAL HEALTH INFORMATION ORGANIZATION FEASIBILITY STUDY

By direction of the Chair, this item was deferred to the March 18, 2008 Health Benefits Committee Meeting.

AGENDA ITEM 4E – CONSOLIDATION OF PHARMACY BENEFITS MANAGEMENT SERVICES UPDATE

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, introduced Lisa Zeitel of Mercer Consulting. Ms. Zeitel provided an overview of the potential value of consolidating Blue Shield of California's prescription drug benefits into the prescription drug benefits currently managed by Medco as part of the self-funded preferred provider organization (PPO) health plans. The initial results indicate that carving out prescription drugs from the Blue Shield HMO to Medco would not be cost advantageous under the current Medco pricing terms.

AGENDA ITEM 4F – CALPERS PHARMACY PLAN CUSTOMER SATISFACTION SURVEY

Pat Macht, Assistant Executive Officer, Office of Public Affairs, introduced Peter Michael of Michael Strategic Analysis. Mr. Michael highlighted the results of the CalPERS Pharmacy Plan Customer Satisfaction Survey. The survey measured knowledge, attitudes and practices of the 1,200 CalPERS members surveyed and customer satisfaction with the three pharmacy plans. Collectively, ratings resulting from this survey were the highest customer satisfaction ratings ever seen by Michael Strategic Analysis in years of customer satisfaction surveys.

AGENDA ITEM 4G – OGILVY PUBLIC RELATIONS REPORT FOR CALPERS: COMMUNICATING WITH SENIORS

Pat Macht, Assistant Executive Officer, Office of Public Affairs, presented information regarding the report, *Communicating with Seniors*, which was commissioned by the Office of Employer and Member Health Services and Public Affairs, to better understand how CalPERS can effectively communicate with its senior population. While the research was specifically aimed at assessing health communications, the general finding of the review may provide valuable insights in the communication efforts of CalPERS other business lines, especially as they relate to CalPERS senior audience.

AGENDA ITEM 6A – 2007 THIRD QUARTER SELF-FUNDED HEALTH PLANS FINANCIAL REPORT

Bill Alameda, Manager, Office of Health Plan Administration, provided an update on the financial status of the four CalPERS self-funded PPO health plans for the calendar quarter ending September 30, 2007. The on-going positive financial results for the program indicates that the rates approved by the Board for the 2007 plan year were sufficient to fund benefits and to maintain adequate reserves.

AGENDA ITEM 7A – HOSPITAL COST EFFICIENCY REPORT

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, introduced Loren Suter, Senior Strategic Advisor to CalPERS. Mr. Suter provided an update on the Hospital Value Initiative project, and the release of a new report, *Cost Efficiency at Hospital Facilities in California: A Report Based on Publicly Available Data.* It is apparent based on the data in the report that some hospitals are efficient and others are inefficient. CalPERS and Pacific Business Group on Health hope that those who use this report will help foster their efforts to promote greater transparency in hospital information and that all stakeholders – hospitals and other providers, employers, patients, lawmakers and regulators – will work together to slow the rising cost of health care for all Californians.

AGENDA ITEM 8A – FEASIBILITY OF OFFERING HEALTH CARE COVERAGE TO SCHOOL EMPLOYEES: AB 256 STUDY

Chuck Hartwig of Mercer Consulting presented an analysis on the feasibility of creating a single statewide health care pool for all school employees. Assembly Bill 256, which passed in October 2005, required CalPERS to work in consultation with CalSTRS to evaluate the feasibility of creating a single statewide health care pool for all school employees and provide those findings to the legislature.

AGENDA ITEM 10 - ASSISTANT EXECUTIVE OFFICER REPORT

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, updated the committee regarding the master calendar of annual Health Benefits Committee agenda items, Agenda Item 10a, and the creation of a draft template to track staff assignments given by the Health Benefits Committee, Agenda Item 10b. These items will be reviewed by the Committee on a monthly basis.

AGENDA ITEM 11 – PROPOSED AGENDA FOR MARCH 18, 2008, HEALTH BENEFITS COMMITTEE MEETING

The proposed March 18, 2008, Health Benefits Committee Meeting agenda was approved with the addition of California Regional Health Information Organization (CalRHIO) Feasibility Study.

AGENDA ITEM 12 – PUBLIC COMMENT

There was no public comment.

The meeting was adjourned at 2:27 p.m.

The next meeting of the Committee is scheduled for March 18, 2008, in Sacramento, California, following adjournment of the Benefits and Program Administration Committee.

FRED BUENROSTRO
Chief Executive Officer